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Viewing cable 06SANJOSE2702, PRESIDENT ARIAS ON HIS VISIT TO WASHINGTON

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Reference ID	Created	Released	Classification	Origin
06SANJOSE2702	2006-12-01 21:41	2011-08-30 01:44	CONFIDENTIAL	Embassy San Jose

Appears in these articles:

<http://www.nacion.com/2011-03-07/Investigacion/NotasDestacadas/Investigacion2704388.aspx>
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E.O. 12958: DECL: 11/30/2016
TAGS: [PREL](#) [PGOV](#) [PINR](#) [ETRD](#) [ECON](#) [CS](#) [US](#)
SUBJECT: PRESIDENT ARIAS ON HIS VISIT TO WASHINGTON

Classified By: AMBASSADOR MARK LANGDALE PER 1.5(D)

¶1. (C) SUMMARY: On November 29, the Ambassador met with President Arias to discuss the latter's upcoming visit to Washington. The Ambassador noted Arias's position as a leader with regional stature, and suggested President Bush would be interested in Arias's views on developments in Nicaragua and Cuba, as well as his domestic agenda, topped by CAFTA-DR and fiscal reform. On Nicaragua, Arias opined that Ortega &would have no choice8 but to be different than he was 20 years ago. On Cuba, Arias said he was willing to discuss a peaceful transition, but hoped this issue would not be the major topic in Washington. Arias noted the irony of Ortega making more positive statements on CAFTA-DR than some opposition figures in Costa Rica, giving Arias more ammunition to use against them at home. Arias stressed that he wanted to talk more &about Costa Rica8 this visit, giving the Ambassador an opening to stress the need for CAFTA-DR implementation, tax reform, judicial modernization and improved protection for investors, which would generate long-term benefits dwarfing the short term gains from international development assistance. Arias is likely to discuss assistance proposals, anyway, including the so-called Costa Rica Consensus and a debt-for-education swap idea. Our response should be to continue lowering his expectations. Costa Rica is best placed to help itself. END COMMENT.

¶2. (U) On November 29, the Ambassador, accompanied by PolEcon Officer David Henifin, met with President Arias to discuss the latter's December 3-6 visit to Washington. Arias was alone, mentioning that FM Bruno Stagno was in Europe.

CUBA, NICARAGUA AND CAFTA-DR

¶3. (C) Arias asked what would likely be on the President's agenda. The Ambassador reminded him that the White House had originally planned the meeting for after Costa Rica passed CAFTA-DR, but the President had accelerated the timetable. Given Arias's position as a leader with regional stature, the President would be interested in his views on developments in Nicaragua and Cuba, as well as Arias's domestic agenda, topped by CAFTA-DR and fiscal reform.

¶4. (C) On Nicaragua, Arias opined that Ortega &would have no choice8 but to be different than he was 20 years ago, given the changes in Nicaragua. Ortega &must (govern) responsibly,8 he added, although visiting Cuba so soon after the election was a &mistake8 on Ortega's part. On Cuba, Arias said he was willing to discuss a peaceful transition, but he hoped the issue would not be the major topic of his conversation with the President. On CAFTA-DR, Arias noted the irony of Ortega making more positive statements of late than some opposition political figures in Costa Rica. Arias asked the Ambassador to forward pro-CAFTA statements by Ortega or prospective members of his government. The more positive comments from Nicaragua, the more pressure Arias said he could apply in Costa Rica. He dismissed hardline anti-CAFTA critics Alberto Salom, deputy leader of the PAC party's faction in the legislature, and Jose Merino, sole representative of the Frente Amplio (Broad Front) party, as &Allende socialists8 out of step with the times.

DOMESTIC AGENDA: NEEDED REFORMS

¶5. (C) Recalling that when he visited Washington 20 years ago, senior USG officials &only wanted to discuss Nicaragua,8 Arias stressed that this time, &I want to talk about Costa Rica.8 Taking the opening, the Ambassador outlined the new USG framework for foreign assistance, which placed Costa Rica in the highest tier as a &sustaining partner.8 The Ambassador highlighted how Costa Rica is

doing, compared to OECD standards, in terms of governing justly and democratically and investing in people. Costa Rica is considerably below OECD standards in terms of economic growth and the business environment. For example, the Ambassador noted that Costa Rica ranked 160th out of 175 on tax collection as measured in the World Bank's Doing Business⁸ index, highlighting the need for an effective and workable tax system to help underwrite Arias's domestic agenda. With CAFTA-DR implementation, appropriate fiscal reforms and improved protection for investors, Costa Rica has the potential to become the Singapore of the region.

¶6. (C) Arias was receptive, especially on the need for tax reform, but rejoined that Costa Rica's overall economic growth was good, and may top seven percent for 2006. In overall foreign direct investment in the region, Costa Rica ranked third behind Chile and Mexico. The Ambassador suggested that the performance of Costa Rica-based multinationals like Intel and the impact of the lucrative but narrow real estate market (mostly appealing to high-end foreign buyers) skewed these figures. Over the long run, growth in small to moderate businesses, and job generation outside the tourism sector, would be the keys to core economic growth in Costa Rica.

USG ASSISTANCE: EDUCATION AND COSTA RICA CONSENSUS

¶7. (C) Turning to assistance issues, Arias floated two proposals for discussion in Washington, the first a debt for education swap, modeled on the debt for land arrangements that launched many of Costa Rica's national parks 20 years ago. The Ambassador cautioned that such a proposal probably was not realistic, as the new Congress is likely more interested in boosting education spending at home than helping education systems abroad. In the long run, opening and reforming Costa Rica's economy would give the GOCR far more resources to spend on education and other social projects.

¶8. (C) Arias then asked for USG reaction to his Costa Rica Consensus idea (for more assistance and debt relief for middle-income countries which spend more on social programs than on defense). The Ambassador replied that the concept was interesting, even noble, and possibly worth a closer examination from a disarmament perspective, given the remilitarization in the region (i.e., Venezuela). The idea, however, does not mesh with the USG's new foreign assistance framework, which is geared instead towards helping developing countries to help themselves. Targeted technical assistance is likely, but extensive bilateral aid, such as Costa Rica benefitted from in the past, is unlikely. The Ambassador added that realistic international consideration of the Consensus idea would take time and certainly not bear fruit before Arias's term ends in 2010.

¶9. (C) COMMENT: Arias's comments suggest an opening for more focused discussion on his domestic agenda, stressing the need to make reforms at home without expecting large-scale bilateral help from abroad. Arias's views seem to be changing, but he still views the region and Costa Rica through the prism of the 1980s, when Costa Rica relied on extensive USG assistance. A lingering sense of exceptionalism, which argues that Costa Rica deserves special treatment (and international assistance) because of its record as a stable democracy and responsible international actor, will need to be diplomatically overcome.

LANGDALE